AR06

MALARTIC Gold Fields (Quebec) Limited

(no personal liability)

ANNUAL REPORT

For the year ended December 31, 1976

Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Mala0325_1976

MALARTIC Gold Fields (Quebec) Limited

(no personal liability)

OFFICERS

J. C. L. ALLEN ..... President
R. C. STANLEY, JR. ..... Vice-President
E. J. WADE ..... Vice-President
I. T. H. HAMILTON ..... Secretary

Directors

J. C. L. ALLEN
P. A. ALLEN
I. T. H. HAMILTON
R. C. STANLEY, JR.
D. C. WEBSTER

MANAGER

HARRY E. RUTETZKI

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
Toronto, Ont., and Montreal, Que.
MARINE MIDLAND BANK – NEW YORK
New York, N.Y.

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond Street West, Toronto, Ontario

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

REPORT OF THE DIRECTORS

To The Shareholders

Your directors submit herewith the Annual Report of the Company for the year ended December 31, 1976, including the Financial Statements and the Auditors' Report thereon.

During 1976 permanent repairs were made to a failure in the old tailings dam as recommended by consultants hired to investigate the problem. A small amount of additional work will be needed during 1977.

In an effort to reduce our overhead costs the staff was reduced to one watchman during the year and all possible cost saving measures taken.

For the time being it is important to retain the Company's principal asset (its mill in Malartic, Quebec) and since expenditures to permit retention are substantial, the inventory of surplus supplies at the mill will gradually be liquidated and the investment portfolio will be converted, as market conditions permit, to short-term guaranteed investment receipts to maximize income.

A report on Long Lac Mineral Exploration Limited's activities during the past year is included with this report.

The Directors wish to express their appreciation to Mr. H. E. Rutetzki, Manager of Malartic Gold Fields for his efforts during the year.

Respectfully submitted,

On behalf of the Board

J. C. L. Allen
President

Toronto, Ontario
March 9, 1977

LONG LAC MINERAL EXPLORATION LIMITED

1976 REPORT

The results of an accelerated, diversified and persistent exploration programme conducted during the past few years have contributed to making 1976 the most successful since incorporation in 1967. Total expenditures for property and/or company acquisitions amounted to $1.1 million, three-quarters of which was directed toward property acquisition and diamond drilling in the Cadillac area of Northwestern Quebec.

As a result of our exploration philosophy in part and the mature stage of many of our exploration programmes, diamond drilling will be conducted on eight different properties during 1977. These programmes will involve the search for gold, gold-silver, uranium and copper-lead-zinc deposits.

As reported in late 1976 your company made a significant gold discovery on the Thompson Bousquet property located some three miles north west of Cadillac in Northwestern Quebec. Drilling has confirmed the presence of a new zone of mineralization in which four parallel and/or en echelon zones occur. The zones vary in width from 5.0′ - 30.0′ and to date the No. 3 zone, the most northerly, appears to have possible economic significance, however, further drilling will be required to evaluate the potential of all the zones.

Drill indicated geological reserves in the No. 3 zone down to 600′ below surface are 458,000 tons with a grade of 0.30 ounces/ton. All high assays have been cut to 1.0 ounce and dilution has been estimated at 20%. This zone remains open to the west and to depth and drilling will be required in 1977 to further investigate this deposit.

During the latter part of 1976 the Thompson Bousquet/Lac Mineral agreement was restructured. In exchange for an increase in advance royalty payments from 5% to 10%, Thompson Bousquet has agreed to grant Lac a one-year extension to the time for election to place the property in production and has granted an increase in Lac's interest in net profit from the operation from 50% to 60%.

A significant acquisition was completed during the year when your company bought effective control of Silverstack Mines Ltd., Silverstack (as to 51%) and Soquem (as to 49%) control a large acreage of ground along strike from the Thompson Bousquet property. Drilling over the past few years has outlined approximately 2.8 million tons with a grade of 0.135 ounces/ton. Dilution has been calculated at 20% and all high assays cut to one ounce.

Soquem, the Province of Quebec's exploration arm, is the designate manager of the Silverstack-Soquem project, but they have indicated that they would be receptive to Long Lac Mineral Exploration Limited managing the next phase of the exploration work. This next phase will study the open pit potential of the deposit and check out some high priority anomalies.

Both the first and second phase of the Bijou option were completed enabling your company to earn 60% interest in the property. The Bijou property joins immediately to the south and along strike to the east of the Thompson Bousquet property. Diamond drilling has been conducted over a portion of the property with some narrow ore sections intersected.

Geological and geophysical work was conducted on three additional properties in the Thompson Bousquet-Silverstack-Soquem area: Hinse, Brawley and El Coco. The Hinse and El Coco properties will be drilled during 1977. The Brawley property was drilled with negative results.

An option was taken on a uranium property, owned by Silvermaque Mines, adjacent to the former uranium producer Stanleigh Mines at Elliot Lake. Mining was conducted along the Silvermaque-Stanleigh boundary and this information coupled with surface drilling has indicated a potential for some 2.0-3.0 million tons of approximately 1.8-2.0 lbs uranium per ton. In addition widely spaced drilling on the western section of the property has indicated the potential for further discovery of reef with a grade of 1.0-1.3 lbs per ton. To maintain our option Lac Mineral is committed to complete 10,000′ of diamond drilling and will pay advance royalties of $40,000 per annum. Drilling with two machines had commenced at year end.

Through a six-month research and field programme we have acquired 80 (H.C.) claims in south central British Columbia with encouraging indications of copper, gold, and uranium. This area has recently been highlighted as one of the most active in British Columbia. Follow-up mapping, trenching and geochemistry will be conducted this coming season.

Activities in the North West Territories were concentrated on securing our land position since we are in the last year of our permit. The staking of some 350 claims was conducted and during this period a minor amount of prospecting conducted; negotiations are continuing with major companies to find a joint-venture partner.

Our activities in Nevada, U.S.A., have resulted in the acquisition of a gold-silver property by staking and the optioning of a gold property from the Southern Pacific Land Company. Geological, geochemical and geophysical work has been completed on both properties and drilling should commence in the spring of 1977.

Further geological, geophysical and geochemical studies of the Conchita-Fatima area in Southern Spain have resulted in three areas of interest. A drill programme will commence in March, 1977. Previous reconnaissance drilling had indicated interesting copper-magnetite-gold and zinc-silver values. In spite of some political unrest, recent mining legislation makes Spain one of the most attractive areas for mineral exploration.

Your company continues to explore for oil and gas through Taurus Oil Ltd., a company managed by John Downing of Calgary, Alberta.

After January 1, 1977, Lac Mineral will be issuing shares to its shareholders for expenditures made for work done. On March 9, 1977 shares were issued to your company's shareholders for expenditures made which have been carried as amounts receivable from Lac Mineral by the shareholders on their financial statements up to December 31, 1976. The present position of the shareholdings is as follows:—

Shareholding company	Shares held	Advances to Lac Mineral
Little Long Lac Gold Mines Limited	45,483	254,836
Lake Shore Mines Limited	56,854	318,545
East Malartic Mines Limited	22,741	127,418
Malartic Gold Fields (Quebec) Limited	22,741	127,418
Wright-Hargreaves Mines Limited	22,741	127,418
Willroy Mines Limited	45,483	254,836
Lundor Mines Limited	11,370	63,709
	227,413	$ 1,274,180

March 9, 1977

D. G. SHEEHAN
Exploration Manager

MALARTIC Gold Fields

(No Persona
(Incorporated under

CONSOLIDATED
AS AT DECEM

ASSETS

CURRENT ASSETS	1976	1975
Cash and short term deposits	$ 317,776	$ 286,743
Marketable securities at cost less allowance for decline in quoted market value 1976, $275,000; 1975, $340,000 (quoted market value 1976, $560,000; 1975, $1,040,000)	559,788	1,042,715
Accounts receivable	18,790	8,950
Receivable from broker on security transactions	128,612	
Prepaid expenses	6,221	8,673
	1,031,187	1,347,081
OTHER INVESTMENTS		
Effectively controlled companies (note 2)	3,887,898	4,201,863
Other companies (note 3)	3,811,073	3,753,285
	7,698,971	7,955,148
FIXED ASSETS		
Buildings, machinery and equipment, less accumulated depreciation	8,887	9,607
Mill equipment parts and supplies, at estimated realizable value	176,997	166,137
Mining properties, at nominal value (note 4)	2	2
	185,886	175,746
OTHER ASSETS		1,000
	$8,916,044	$9,478,975

Approved by the Board

P. A. ALLEN, Director

I. T. H. HAMILTON, Director

AUDITORS

To the Shareholders of
Malartic Gold Fields (Quebec) Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Malartic Gold Fields (Quebec) Limited (No Personal Liability) as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
February 7, 1977

(Quebec) Limited

Liability)
the laws of Quebec)

BALANCE SHEET
BER 31, 1976

LIABILITIES

CURRENT LIABILITIES	1976	1975
Accounts payable and accrued liabilities	$ 4,012	$ 82,643
Payable to associated companies	6,138	1,172
	10,150	83,815
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY	9,998	10,389

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized – 5,000,000 shares of $1 each		
Issued – 4,486,378 shares	4,486,378	4,486,378
Less discount on shares	3,224,607	3,224,607
	1,261,771	1,261,771
CONTRIBUTED SURPLUS	617,026	617,026
RETAINED EARNINGS	7,017,099	7,505,974
	8,895,896	9,384,771
	$8,916,044	$9,478,975

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1976

	1976	1975
Revenue		
Investment income	$ 46,603	$ 49,640
Custom milling		152,578
	46,603	202,218
Operating Expenses		
Milling		248,197
General expenses at the property	163,290	135,895
Mine office and supervision	6,654	9,354
Administrative and corporate expenses	36,619	54,227
	206,563	447,673
Loss before undernoted items	159,960	245,455
Depreciation	720	716
Outside exploration	58,297	120,578
	59,017	121,294
	218,977	366,749
Reduction in allowance for decline in market value of marketable securities	65,000	425,000
Interest in earnings less losses of effectively controlled companies (note 2)	(322,795)	607,876
Gain (loss) on sale of securities	(20,474)	100,592
Security written down to nominal value		(56,493)
	(278,269)	1,076,975
Interest of minority shareholders in subsidiary company's earnings (losses)	(391)	9,736
	(277,878)	1,067,239
Income (loss) before extraordinary items	(496,855)	700,490
Extraordinary items		
Interest in extraordinary items of effectively controlled companies (note 2)	7,980	198,311
Profit on disposal of mine assets		33,195
	7,980	231,506
NET INCOME (LOSS)	$ (488,875)	$ 931,996
EARNINGS (LOSS) PER SHARE		
Income (loss) before extraordinary items	(11)¢	16¢
Net income (loss)	(11)¢	21¢

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1976

	1976	1975
BALANCE AT BEGINNING OF YEAR	$7,505,974	$6,573,978
Net income (loss)	(488,875)	931,996
BALANCE AT END OF YEAR	$7,017,099	$7,505,974

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1976

	1976	1975
WORKING CAPITAL DERIVED FROM		
Proceeds on sale of other investments	$ 13,499	$ 300,001
Proceeds on disposal of mine assets		33,195
Dividend received from effectively controlled company		156,569
	13,499	489,765
WORKING CAPITAL APPLIED TO		
Operations	181,583	147,223
Reclassification of mill equipment parts and supplies		166,137
Increase in mill equipment parts and supplies (net)	10,860	
Purchase of shares		
Effectively controlled companies	850	6,287
Other companies		34
Dividend paid to minority shareholders of subsidiary company		22,500
Advances to associated company	62,435	7,551
Purchase of fixed assets		2,218
	255,728	351,950
INCREASE (DECREASE) IN WORKING CAPITAL	(242,229)	137,815
WORKING CAPITAL AT BEGINNING OF YEAR	1,263,266	1,125,451
WORKING CAPITAL AT END OF YEAR	$1,021,037	$1,263,266

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1976

1. ACCOUNTING POLICIES

(a) **Basis of consolidation**

The accounts of the 75% owned subsidiary, Marban Gold Mines Limited, have been consolidated with those of the parent company.

The operations of the subsidiary company ceased in 1974.

(b) **Marketable securities**

Marketable securities are recorded at cost less an allowance for decline in quoted market value which is adjusted annually at each year end.

(c) **Effectively controlled companies**

Commencing January 1, 1973, effectively controlled companies have been recorded on the equity basis.

The investment on the balance sheet is recorded at cost less an allowance for decline in value as at January 1, 1973 of $420,000 plus the company's share of undistributed earnings less losses since that date. The statement of income includes the company's share of income or losses for the year.

The company, after examination of the circumstances relating to these investments, believes that the most reasonable interpretation of an "effectively controlled company" is one in which the company's investment exceeds 20% but is less than 50% of the issued and outstanding shares of the effectively controlled company. Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(d) **Other investments**

Investments in listed associated companies are recorded at cost less an allowance for decline in market value at December 31, 1973 of $1,150,000. Investments in other associated companies are recorded at cost.

Other investments which the company considers to be long term in nature are recorded at cost. Investments in which the value becomes permanently impaired are written off.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(e) **Fixed assets**

(i) Plant and equipment

All plant and equipment are stated at cost. Depreciation is provided on the straight-line basis at 10% annually.

(ii) Mining properties

Mining properties are originally recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 1976

2. **EFFECTIVELY CONTROLLED COMPANIES** (see note 1(c))

	1976	1975
Balance at beginning of year	$4,201,863	$3,545,958
Cost of shares purchased during year	850	6,287
Interest in earnings less losses for the year		
Before extraordinary items	(322,795)	607,876
Extraordinary items	7,980	198,311
	3,887,898	4,358,432
Less dividends received		156,569
Balance at end of year	$3,887,898	$4,201,863
Listed securities (having a quoted market value 1976, $2,849,000; 1975, $3,290,000)	$3,252,524	$3,576,831
Other securities	635,374	625,032
	$3,887,898	$4,201,863

3. **OTHER COMPANIES** (see note 1(d))

	1976	1975
Shares in associated companies		
Listed		
(quoted market value 1976, $2,090,000; 1975, $1,990,000)	$3,336,703	$3,336,703
Other, at cost		
Shares	2,500	2,500
Advances	127,421	64,986
Shares in other companies		
Listed, at cost (quoted market value 1976, $90,000; 1975, $118,000)	295,425	300,072
Other, at cost less amounts written off	49,024	49,024
	$3,811,073	$3,753,285

4. **MINING PROPERTIES**

In 1974 the company granted an option to another company (optionee) to do exploration work in its mining concessions in Fourniere and Dubuission Townships in Quebec. Under the agreement the optionee paid to the company $12,000 cash whereby the company assigned all of its subsurface rights to the optionee. The optionee must bring the property into production by April 25, 1979 or title to the property reverts back to the company. If the optionee brings the property into production, it shall pay all such costs of doing so, subject to the return of these costs from production income with interest at 10% per annum compounded annually. After the recovery of these costs, the company shall receive a royalty of 25% of the net profit as defined in the agreement.

5. **CAPITAL STOCK**

At December 31, 1976, incentive options are outstanding on 20,000 shares of capital stock, exercisable to February 21, 1978 at 85¢ per share.

MALARTIC
Gold Fields
(Quebec)
Limited
(no personal liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 1976

6. **INCOME TAXES**

For 1977 and future years, losses carried forward for tax purposes and capital cost allowance remaining to be claimed in excess of the net book value of the related fixed assets, are as follows:

	Malartic Gold Fields (Quebec) Limited	Marban Gold Mines Limited
Undepreciated capital cost	$ 872,000	$ 257,000
Losses for tax purposes carried forward	413,000	395,000
	$1,285,000	$ 652,000

7. **ANTI-INFLATION LEGISLATION**

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective 14th October, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders. Under these regulations the company may not pay or declare a dividend in the twelve months ending October 13, 1977, unless it applies for and receives a special ruling from the Anti-Inflation Board.

In the opinion of management, the Act will not have any effect on the operations of the company for the year ended December 31, 1976.

8. **OTHER STATUTORY INFORMATION**

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1976	1975
Directors and officers	$ 6,000	$ 6,000
Mill employees	9,220	59,060
	$ 15,220	$ 65,060

Printed in Canada.